ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY
INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to set forth the policies and procedures for a prudent and systematic investment policy and to organize and formalize investment-related activities with respect to certain Alameda Corridor Transportation Authority ("ACTA") funds. This version of the ACTA Investment Policy was approved by the ACTA Governing Board at a meeting held on Thursday, April 12, 2018.

The investment policies and practices of ACTA are based upon compliance with the California Government Code Sections 53600 and 53635 et seq., other state laws as applicable and prudent investment management as described herein. Should the provisions of the Government Code change from those contained herein, such provisions will be considered incorporated in this Policy. It is the policy of ACTA to comply with all federal, state and local laws governing the investment of certain monies under the control of ACTA. The monies under the control of ACTA (referred to as the "Funds" throughout the remainder of this document) will be invested, reinvested, administered, and reported according to this Policy.

ACTA's Chief Financial Officer and its Treasurer shall act in accordance with this Policy and the Prudent Investor Rule in the management of ACTA's Funds. When acting in accordance with this Policy, written portfolio guidelines and procedures, and exercising due diligence, ACTA's Chief Financial Officer and its Treasurer shall be relieved of personal responsibility for individual security's credit risk and/or market price changes, provided that deviations from expectations are reported in the monthly and quarterly investment reports to the ACTA Governing Board, and appropriate action is taken to control adverse developments.

Generally, investments shall be made in the context of the "Prudent Investor Rule" as described in California Government Code Section 53600.3, which states that,

> *" . . . all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."*

This Policy shall remain in effect until the ACTA Governing Board approves a subsequent revision.

II. SCOPE

It is intended that this Policy cover all Funds and investment activities of ACTA unless specifically excluded by the Governing Board of ACTA, such as bond funds covered by ACTA's Master Trust Indenture.

III. INVESTMENT OBJECTIVES

A. Safety of Principal

ACTA's foremost investment objective shall be safety of principal. Each investment transaction shall seek to ensure that capital losses are avoided, whether from securities default, broker-dealer default, or erosion of market value. The Treasurer and the Chief Financial Officer of ACTA shall seek to preserve principal by mitigating the two major types of risk: credit risk and market risk.

1. Credit Risk. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing only with issuers whose financial strength and reputation can be verified to be highly rated by nationally recognized rating agencies (see Section VIII. Authorized Investments for detailed limitations on credit risk), and by diversifying the investment portfolio, consisting of ACTA's Local Agency Investment Fund and ACTA's SR-47 Fund (Investment Portfolio), so that the failure of any one issuer would not unduly harm ACTA's cash flow.

2. Market Risk. Market risk, defined as the risk of market value fluctuations due to overall changes in the general level of interest rates, shall be mitigated by (a) structuring the portfolio so that securities mature at or near the timing of ACTA's major anticipated cash outflows, thus reducing the need to sell securities prior to their maturity; (b) prohibiting the use of leverage and margin accounts; and (c) prohibiting the use of short positions-that is, selling securities which ACTA does not own. It is explicitly recognized herein, however, that in a diversified portfolio, occasional measured losses are inevitable, and must be considered within the context of the overall investment return.

B. Liquidity

ACTA's second objective shall be to have an Investment Portfolio that is sufficiently liquid to ensure that ACTA can meet all normal operating requirements and reasonably expected expenditures.

C. Rate of Return on Investment

The third objective for ACTA's Investment Portfolio shall be to attain a market-average rate of return through economic cycles consistent with risk limitations as defined herein, and prudent investment principles. Through implementation of this Policy, the Treasurer and Chief Financial Officer of ACTA shall seek to enhance returns above the market average rate of return.

IV. DELEGATION OF AUTHORITY

The Board delegates its authority to invest Funds of ACTA to the Treasurer and Chief Financial Officer, who have full responsibility for transactions until the Board delegation of authority is revoked. The authority to execute investment transactions that will affect the Fund will be limited to the Treasurer and Chief Financial Officer. ACTA may engage the services of an Independent Investment Consultant(s) to assist in the management of ACTA's Funds. Such Independent Investment Consultant(s) may be granted discretion to purchase and sell investment securities in accordance with this Policy. Such Independent Investment Consultant(s) must be registered under the Investment Advisers Act of 1940. All investment decisions and transactions shall be made in strict accordance with state and federal law and this Policy.

V. SAFEKEEPING OF SECURITIES

To protect against potential losses by collapse of individual securities dealers, all securities owned by ACTA shall be held in safekeeping by a bank trust department, acting as agent for ACTA under the terms of a custody agreement executed by the bank and ACTA, as authorized by the Governing Board. All securities will be received and delivered using standard delivery versus payment procedures, i.e., ACTA's safekeeping agent will only release payment for a security after the security has been properly delivered. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit; and (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of these instruments will be held by the Treasurer or his designee.

VI. REPORTING

MONTHLY REPORTS

Monthly investment reports will be submitted by the Treasurer or Chief Financial Officer to the Governing Body within 30 days of the end of each month. Monthly reports will disclose, at a minimum, the following information about the characteristics of ACTA's portfolio:

1. An asset listing of each security showing its par value, cost, independent third-party fair market value as of the date of the report, the source of the valuation, type of investment, issuer, maturity date and interest rate.

2. Transactions during the reporting period.

3. A one-page summary report that shows:
   a. Average maturity of the portfolio and modified duration of the portfolio;
   b. Maturity distribution of the portfolio;
   c. Average portfolio credit quality; and,

d. Time-weighted total rate of return for the portfolio for the prior one month, three months, twelve months and since inception compared to ACTA's market benchmark returns for the same periods.

4. A statement of compliance with ACTA's Investment Policy, including a schedule of any transactions or holdings which do not comply with this Investment Policy or the California Government Code, including a justification for their presence in the portfolio and a timetable for resolution.

5. A statement denoting ACTA's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

ANNUAL REPORTS

A comprehensive annual report will be presented to the Governing Board. This report will include comparisons of ACTA's return to the market benchmark return, suggest policies and improvements that might enhance the investment program, and will include an investment plan for the coming year.

VII. QUALIFIED DEALERS

ACTA shall transact business only with banks, savings and loans, Federal savings banks, and investment security dealers in compliance with MSRB Rule G-37. ACTA's Independent Investment Consultant(s), if any, shall transact business only with those securities firms which are on their "approved broker list" and whose annual reports are on file at the Independent Investment Consultant's place of business.

VIII. AUTHORIZED INVESTMENTS

ACTA's Investment Policy is governed by the California Government Code. This Policy conforms to the Code as well as to customary standards of prudent investment management. Should the provisions of the Code become more restrictive than those contained herein, such provisions will be considered as immediately incorporated in this Policy. Percentage holding limits listed in this section apply at the time the security is purchased.

Within the context of these limitations, the following investments are authorized, as further limited herein:

A. Bonds issued by ACTA, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by ACTA. Investments in Bonds issued by ACTA shall not exceed 20% of the portfolio.

B. United States Treasury Bills, Bonds, and Notes, or "when issued" securities of the United States Government for such securities, or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no limitation as to the percentage of the portfolio which can be invested in this category. Maturity shall not exceed the projected dates of ACTA's cash needs or five years, whichever is less.

C. Registered State Warrants or Treasury notes or bonds (Debt) of the State of California, including bonds, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the State of California or by a department, board, agency, or authority of the State, so long as such Debt of the State is rated "A" or higher by a nationally recognized statistical-rating organization. Investments in Debt shall not exceed 5% of the portfolio. Maturity shall not exceed the projected dates of ACTA's cash needs or five years, whichever is less.

D. Registered Treasury notes or bonds (Local Debt) of any of the other 49 states of the United States of America in addition to California, including bonds, payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the a state or by a department, board, agency, or authority of any other of the 49 states of the United States of America in addition to California, so long as such Local Debt of the State of California or any other of the 49 states of the United States of America is rated "A" or higher by a nationally recognized statistical-rating organization. Investments in Local Debt shall not exceed 5% of the portfolio. Maturity shall not exceed the projected dates of ACTA's cash needs or five years, whichever is less.

E. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises (Federal Agency Debt). Investments in Federal Agency Debt shall not exceed 50% of the portfolio. Maturity shall not exceed the projected dates of ACTA's cash needs or five years, whichever is less.

F. Commercial Paper. Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

1. The entity meets the following criteria: (a) Is organized and operating in the United States as a general corporation; (b) Has total assets in excess of five hundred million dollars ($500,000,000); and (c) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization.

2. The entity meets the following criteria: (a) is organized within the United States as a special purpose corporation, trust, or limited liability company; (b) has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond; (c) has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper may not exceed 25% of the market value of the portfolio. No more than 5% of the market value of the portfolio may be invested in commercial paper issued by any one corporation. Maturity shall not exceed 270 days.

G. Negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal saving and loan association. Negotiable certificates of deposit (NCDs) differ from other certificates of deposit by their deposit liquidity. They are issued against funds deposited for specified periods of time and earn specified or variable rates of interest. NCDs are traded actively in secondary markets. The maximum maturity of NCDs shall not exceed two years. Transactions in NCDs shall not collectively exceed 20% of the total portfolio. No more than 5% of the market value of the portfolio may be invested in NCDs issued by any one institution. Purchases are limited to institutions which have long-term debt rated "A" or better and/or have short-term debt rated at least "A1" by a nationally recognized statistical-rating organization.

H. Local Agency Investment Fund. ACTA may invest in the Local Agency Investment Fund (LAIF) established by the State Treasurer for the benefit of local agencies up to the maximum amount permitted by State Law.

I. Time Deposits. ACTA may invest in non-negotiable time deposits collateralized in accordance with the California Government Code and do so in those banks and savings and loan associations which meet the requirements for investment in negotiable certificates of deposit. Since time deposits are not liquid, no more than 15% of the portfolio may be invested in this category. No more than 5% of the market value of the portfolio may be invested in non-negotiable time deposits issued by any one issuer. The issuer firm shall have been in existence for at least five years prior to the time of investment. Time deposits are required to be collateralized as specified under Government Code Section 53630 et seq. ACTA may waive the first $100,000 of collateral security for such deposits if the issue is insured pursuant to federal law. Real estate mortgages may not be accepted as collateral. The maximum term for deposits shall be one year. In general, the issuer firm must have a minimum 6% net worth to assets ratio. The issuer firm's operations must have been profitable during their last reporting period. The issuer firm must have received a minimum overall "satisfactory" rating for meeting the credit needs of California Communities in its most recent evaluation, as provided by Government Code Section 53635.2.

J. Los Angeles County Treasurer Investment Pool. ACTA may invest in the County's Investment Pool as prescribed by the California Government Code.

K. Money Market Funds. ACTA may invest in Money Market Funds that invest solely in U.S. Treasury securities and U.S. Government Agency securities, and repurchase agreements secured by U.S. Treasury securities and U.S. Government Agency securities and which shall have also met the following criteria in either Paragraph (1) or Paragraph (2):

1. Have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical-rating organizations.

2. Have retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience

investing in U.S. Treasury securities and U.S. Government Agency securities and with assets under management in excess of $500 million.

No more than 20% of the portfolio may be invested in Money Market Funds, with no more than 10% invested in any one Money Market Fund.

L. Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated "A" or better by a nationally recognized statistical-rating organization. ACTA may invest no more than 30% of the portfolio in Corporate Bonds or Notes and no more than 5% of the portfolio with a single corporate issuer. Maturity shall not exceed the projected dates of ACTA's cash needs.

M. Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt by a nationally recognized statistical-rating organization and rated in a rating of category of "AA." Purchase of securities authorized by this subdivision may not exceed 20% of ACTA's money that may be invested pursuant to this Section M. No more than 5% of the portfolio may be invested in any single Asset-Backed or Commercial Mortgage issuer. There is no limitation on any mortgage security where the issuer is the U.S. Treasury or a Federal Agency/Government Sponsored Enterprise. Maturity shall not exceed the projected dates of ACTA's cash needs or five years, whichever is less.

N. Supranational Organizations, provided that issues are U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank. The securities shall be rated "AA" or higher by a nationally recognized statistical-rating organization, with a maximum maturity not exceeding five years. No more than 30% of the portfolio may be invested in these securities, and no more than 10% of the portfolio may be invested in any single issuer.

O. Authorized Investments for Bond Funds and Proceeds. Bond funds and proceeds shall be invested in securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond funds and proceeds will be invested in securities permitted by this Policy.

In addition to securities authorized for the investment of bond funds and proceeds, bond funds and proceeds may be invested in Guaranteed Investment Contracts and Investment Agreements with issuers of "AA" rating or better by a nationally recognized statistical-rating organization. Such contracts shall have a maximum of five years maturity. Unless otherwise authorized by the applicable bond documents, no more than 25% of the portfolio may be invested in such contracts and no more than 5% of the portfolio may be placed under contract with a single entity.

With respect to maximum maturities, unless otherwise authorized by the applicable bond documents, bond reserve fund proceeds may be invested in securities with maturities that exceed five years if in the opinion of the Treasurer or Chief Financial Officer it is prudent to make such an investment.

XIV. INELIGIBLE INVESTMENTS

Investments not described herein, including but not limited to, repurchase agreements and reverse repurchase agreements, Bankers Acceptances, and common stocks are prohibited from use in ACTA's portfolio. Section 53601.6 of the Government Code specifically disallows investments in inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity.

X. TRADING OF SECURITIES

The purchase and sale transaction must each be recorded separately and any losses or gains on the sale must be recorded.

XI. PORTFOLIO ADJUSTMENTS

In the event that an investment percentage-of-portfolio limitation in Section VIII is exceeded due to an incident such as a fluctuation in the portfolio's size, the affected securities may continue to be held to avoid losses. If the sale of an affected security would not result in a loss, the Treasurer or Chief Financial Officer shall consider restructuring the portfolio through sale of the affected securities or other means, and base their decision in part on the expected length of time the portfolio would be out of compliance with the Policy if no sale were made.

XII. PORTFOLIO DURATION LIMITATION

The objective of this Policy is to provide a system which will accurately monitor and forecast revenues and expenditures so that ACTA can invest Funds to the fullest extent possible.

The maximum maturity of individual investments shall not exceed the limits set forth in Section VIII. Authorized Investments. However, no investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either 1) specifically, 2) as part of the investment provisions relating to a bond issuance and authorized by the applicable bond documents, or 3) as part of an investment program approved by the Board no less than one month prior to the investment. The weighted average duration of the entire portfolio shall not exceed three (3) years.

XIII. CERTIFICATION OF UNDERSTANDING

All Financial Institutions and Independent Investment Consultant(s) who do investment-related business with ACTA shall receive a copy of this Policy and sign a Certification of

Understanding. The Certification of Understanding shall state that each employee of the entity serving ACTA:

A. Has read and understands ACTA's Investment Policy, as well as applicable federal and state laws;

B. Meets the requirements of Article VII of ACTA's Investment Policy;

C. Agrees to make every reasonable effort to protect the assets of ACTA from loss;

D. Agrees to notify ACTA in writing of any potential conflicts of interest; and

E. Agrees to notify ACTA in writing of any changes in personnel with decision-making authority over ACTA's funds within 24 hours of such event.

XIV. MONITORING CREDIT RATINGS

Independent Investment Consultant(s), if any, shall monitor the ratings of all investments in assigned portfolios on a continuous basis. Independent Investment Consultant(s), if any, shall report to the Chief Financial Officer in writing within 24 hours of any credit event for any investment in which there is a credit downgrade to a rating that is lower than that required by Section VIII Authorized Investments. If an existing investment's rating drops below the minimum allowed for new investments made pursuant to this Policy, the Independent Investment Consultant(s) shall also make a written recommendation to the Treasurer and Chief Financial Officer as to whether the downgraded security should be held or sold.

XV. POLICY REVIEW

This Investment Policy shall be reviewed regularly by the Treasurer or Chief Financial Officer, and submitted to the Board for its approval at least annually to ensure its consistency with the overall objectives of preservation of principal, liquidity, and return, and its relevance to current law and financial and economic trends. The Board shall be responsible for maintaining guidance over this Investment Policy to ensure that ACTA can adapt readily to changing market conditions, and approve any modification to the Investment Policy prior to implementation. Any changes in the Investment Policy shall be reviewed and approved by the Board at a public meeting.